

Message Text

PAGE 01 STATE 193240

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SUBJECT: GUIDANCE FOR PREPARATION OF FISCAL YEAR 1977
BUDGET

DOTA NO 263-TT

IN CONTRAST TO THE POSITION PROPOSED BY THE DEPARTMENT, OMB
HAS APPROVED THE FOLLOWING AS THE BASIS FOR PREPARING YOUR
1977 BUDGET ESTIMATES.

BASIC ASSUMPTIONS:

1. THAT AN AUTHORIZATION BILL ESTABLISHING CEILINGS
OF \$80,000,000 FOR FY 1976, \$15,100,000 FOR THE TRANSITION
PERIOD, AND \$79,000,000 FOR FY 1977 WILL BE ENACTED AND
SIGNED INTO LAW.
2. THAT THE AUTHORIZATION BILL WILL ALSO CONTAIN
PROVISION FOR USE OF THE GROSS NATIONAL PRODUCT IMPLICIT
PRICE DEFLATOR (GNPID) AS A MEANS OF ADJUSTING THE
CEILINGS TO OFFSET CHANGES IN THE PURCHASING POWER OF THE
U.S. DOLLAR.
3. THAT THE GNP PRICE DEFLATOR PERCENT OF CHANGE
UNCLASSIFIED

PAGE 02 STATE 193240

WILL BE COMPUTED ON A SECOND QUARTER BASIS, I.E., JUNE 30
TO JUNE 30, IN LIEU OF THE THIRD QUARTER AS APPROVED IN
THE HOUSE VERSION OF THE BILL.

4. THAT THE BASE POINT FOR COMPUTING ADJUSTMENTS TO AUTHORIZATIONS BROUGHT ABOUT BY CHANGES IN THE GNPIPD IS JUNE 30, 1974.

GIVEN THESE BASIC ASSUMPTIONS, THE AMOUNT OF THE 1976 SUPPLEMENTAL CAN BE CALCULATED AS FOLLOWS:

JUNE 30, 1974 GNPIPD 167.31

JUNE 30, 1975 GNPIPD 183.90

1976 AUTHORIZATION \$80,000,000

\$80,000,000 TIMES 183.90 DIVIDED BY 167.31
\$87,933,000

THE DIFFERENCE, OR \$7,933,000, REPRESENTS THE AMOUNT THAT SHOULD BE REQUESTED AS A 1976 SUPPLEMENTAL. CALCULATED IN A SIMILAR MANNER, THE INCREASE FOR THE TRANSITION PERIOD WOULD BE \$1,500,000. THESE AMOUNTS SHOULD BE PROPOSED AS 1976 AND TRANSITION QUARTER SUPPLEMENTAL REQUESTS FOR SUBMISSION TO OMB BY MID-SEPTEMBER.

AS STATED EARLIER, YOUR BASE AUTHORIZATION FOR 1977 IS \$79,000,000. IN ORDER FOR YOU TO PREPARE A BUDGET THAT BEARS SOME SEMBLANCE OF REALITY AND YET STAYS WITHIN THE MONETARY AND OTHER LIMITATIONS SET BY THE CONGRESS, THE 1977 CEILING OF \$79,000,000 SHOULD FIRST BE ESCALATED BY THE AMOUNT OF THE JUNE 30, 1974 TO JUNE 30, 1975 GNPIPD CHANGE FOR AN ADJUSTED BASE OF \$86,833,000. THIS FIGURE IS THE AMOUNT IN MID-1975 DOLLARS WHICH SHOULD SERVE AS THE BASIS FOR DEVELOPING YOUR 1977 DETAILED ESTIMATES.

SINCE THIS AMOUNT IS BASED UPON MID-1975 PRICES AND THEREFORE IS NOT ANTICIPATED TO BE EQUAL TO THE TOTAL 1977 FUNDING REQUIREMENTS WHICH WILL EVENTUALLY BE NECESSARY TO OFFSET THE CHANGE IN THE GNPIPD FROM JUNE 30, 1975 TO UNCLASSIFIED

PAGE 03 STATE 193240

JUNE 30, 1976, AS WELL AS THE PREVIOUS CHANGES, IT WILL BE NECESSARY TO PROJECT A 1977 BUDGET SUPPLEMENTAL WHICH, WHEN TRANSMITTED, WILL BE BASED UPON THE ACTUAL JUNE 30, 1975 TO JUNE 30, 1976 GNPIPD CHANGE. THE LEVEL OF CHANGE IN THE GNPIPD THAT IS FORECAST IN THE 1976 PRESIDENT'S BUDGET (SEE P. 41) FOR CALENDAR YEAR 1976

(7.5) SHOULD BE USED AS THE BASIS FOR ARRIVING AT THE PROJECTED SUPPLEMENTAL.

PREPARING YOUR BUDGET IN THIS FASHION WILL ENABLE YOU TO FORMULATE AND DEVELOP THE VARIOUS PROGRAMS IN TERMS OF CURRENT DOLLARS AND PRICES, WHILE PROJECTING TO THE

CONGRESS THE PROBABLE TOTAL FUNDING LEVEL THAT WILL BE
REQUIRED BY THE CONSTANT DOLLAR ADJUSTMENT BUT RESERVING
UNTIL THE PROPER TIME THE ACTUAL REQUEST FOR SUPPLEMENTAL
FUNDING.

ON THIS BASIS, THE 1977 AUTHORIZATION OF \$79,000,000
ESCALATED BY THE DOLLAR EQUIVALENT OF THE JUNE 30, 1974
TO JUNE 30, 1975 GNPIPD CHANGE (\$7,833,000), AN ADJUSTED
TOTAL OF \$86,833,000, WOULD BE MULTIPLIED BY THE
PREDICTED CALENDAR 1976 GNPIPD CHANGE OF 7.5 TO PROVIDE
A PROJECTION OF THE FY 1977 SUPPLEMENTAL AT \$6,512,000.
THIS SUPPLEMENTAL WILL BE PRINTED IN A SEPARATE SCHEDULE
AS AN ITEM PROPOSED FOR LATER TRANSMITTAL UNDER EXISTING
LEGISLATION. DOTA ZEDER SENDS.

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